



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
RESEARCH DEVELOPMENT AND ACQUISITION  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

REPLY TO  
ATTENTION OF

27 MAR 1998

SARD-PS

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: Performance-Based Service Contracting (PBSC) Contract  
Review Check List

Reference the following:

- a. Acting DASA(P) memorandum of May 23, 1997, subject as above.
- b. Acting DASA(P) memorandum of August 27, 1997, subject as above.
- c. OFPP memorandum of February 27, 1998, entitled, PBSC Pilot Project.
- d. Acting DASA(P) memorandum of March 23, 1998, entitled, PBSC Pilot Project.

In references a and b, I asked you to review and classify all newly awarded service contracts with a total estimated value of \$250,000 or greater as PBSC, Partially-PBSC, or Non-PBSC. These memorandums also required you to characterize these efforts as fixed price or non-fixed price. This data was due 30 days after the close of the respective quarter and included contract awards through the 1<sup>st</sup> quarter of fiscal year (FY) 1998.

The composite data for the 2<sup>nd</sup> through 4<sup>th</sup> quarters of FY 97 and the 1<sup>st</sup> quarter of FY 98 indicate that 61 percent of these service contracts and 69 percent of our service contract dollars were either PBSC or P-PBSC. This data is provided as an attachment to this memorandum and will be available on our web site. Furthermore, our most recent data indicates that approximately 65 percent of our combined PBSC and P-PBSC contract awards and 55 percent of our service contracts are fixed-price type efforts. I appreciate the effort that everyone has expended on this endeavor to date.

While I continue to be encouraged by the results of the preceding four quarters, I know we can substantially improve our PBSC usage rate. The preliminary results of OFPP's pilot project indicate that, when fully and properly applied, PBSC enables us to simultaneously obtain significantly improved



contract performance at reduced prices. These results are particularly noteworthy when non-PBSC cost type efforts are converted to fixed price type PBSC efforts. This program also dovetails nicely with our goal of managing for results, not process. Evidence is accumulating however that application of only selected aspects of the total PBSC methodology is not likely to be nearly as fruitful, and may even diminish the value of services provided. Accordingly, you are encouraged to use total PBSC methods whenever possible.

I request that you continue to review and classify all newly awarded service contracts with a total estimated value of \$250,000 or greater and provide me the results of your analysis. Contracts for construction, utilities, A-E, and R&D remain excluded from this analysis and classification. I've again included our PBSC checklist in order to assist you in this effort. This analysis should continue to be accomplished by your Competition Advocates, rolled up by MACOM and be provided to us quarterly on a FY basis. Fixed price and non-fixed price contract classification continues to be required. The quarterly submissions are due 30 days after the close of the respective quarter.

I continue to encourage you to: 1. Promote PBSC to the maximum extent practicable within your command, 2. Include PBSC in your acquisition training programs; and 3. Share PBSC methods, solicitations, and lessons learned via your Internet Homepages. POC for this action is Robert Friedrich, SARD-PS, phone (703) 681-7577 or DSN 761-7577, fax DSN 761-7580, e-mail, [friedrir@sarda.army.mil](mailto:friedrir@sarda.army.mil).



Edward G. Elgart  
Acting Deputy Assistant Secretary of the  
Army (Procurement)

#### Attachments

#### DISTRIBUTION.

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**DISTRIBUTION: (CONT)**

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Commander, U.S. Army Training and Doctrine Command, ATTN:  
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Suite 401A, 5109 Leesburg Pike, Falls Church, VA 22041-3201

CF:  
Acting Assistant Secretary of the Army (RDA)  
SARD-PR  
AUSD(AP&P)  
OFPP

**Performance-Based Service Contracting (PBSC)  
Contract Review Check List**

**PBSC Requirements:**

1. (M) SOW contains objective, mission-related performance output requirements.
2. (M) SOW contains measurable, mission-related performance quality standards
3. (H) Contract contains positive and negative incentives (i.e., deduction schedules) based on Quality Assurance (QA) measurements.
- 4 (H) Commercial/industry-wide performance standards are relied upon where possible.
5. (M) Contract is not a term type.
6. (M) Use experience gained from recurring requirements to convert them to performance-based requirements.
- 7 (H) Contract is fixed-price.
8. (H) Marketplace and stakeholders are provided the opportunity to comment on draft performance requirements and standards, QA plan and incentives ~via draft solicitations and government/industry forums.
- 9 (M) Historic workload analysis is generated to aid in determining scope of requirement, or is estimated if not available.

**Requirements that are not PBSC per se, but can "make or break" the effectiveness of PBSC:**

1. (H) Contract award is competitive
2. (H) Best value evaluation/selection is used.
3. (H) Informal conflict resolution methods are available (e.g., ADR, ombudsman).
4. (M) Contract contains government quality assurance (QA) plan to measure performance vs. standards.
5. (H) Multiyear authority is used if available.

All of the above requirements also apply to individual task orders issued under a task order contract and individual projects and/or responsibilities assigned under a major site management contract.

(M) Mandatory

(H) Highly desirable